

The Protecting Financial Aid for Students and Taxpayers Act

The Protecting Financial Aid for Students and Taxpayers Act aims to maximize the value of federal student aid and taxpayer dollars by prohibiting the use of Pell Grants, federal student loans, and other federal education funds for advertising, marketing, and recruitment. All colleges and universities, whether public, private, or for-profit, would be required to pay for such activities with non-taxpayer dollars. Any institution of higher education who receives more than 65 percent of their revenue from federal educational assistance funds would be required to report their marketing spending to the Department of Education and to certify that no federal education dollars were spent on marketing.

This bill is similar to a current law that bans the use of federal higher education dollars for lobbying. In 2007, the Senate unanimously approved an amendment by Senator Tom Coburn that required colleges and universities to certify each year that they are not using federal financial aid funds to pay lobbyists to secure a federal contract, federal loan, federal grant, or earmark. This commonsense solution builds on the work of Senator Coburn to ensure that federal dollars are used for their intended purpose: educating students. Federal student assistance should not be used to fund corporate marketing campaigns.

In 2009, fifteen of the largest for-profit education companies received 86 percent of their revenues from federal student aid programs. These for-profit education companies spent \$3.7 billion dollars, or 23 percent of their budgets, on advertising, marketing and recruitment, which in many cases was aggressive and deceptive. By comparison, according to one study, "in the corporate world, marketing budgets typically represent between 4-12 percent of sales." In contrast to for-profit colleges and universities, nonprofit colleges and universities spend an average of one-half of one percent of their revenues on marketing.

Of the four publicly traded companies (Apollo, Corinthian, Strayer, and Bridgepoint) that publicly report this information, spending on marketing increased 11 percent from 2010 to 2013. For example, the now bankrupt Corinthian increased the amount it spent on marketing and recruiting, from \$328 million in 2010 to \$396 million in 2013, an increase of 20 percent. During the same time period, the company increased the number of veterans it enrolled from 1,952 to 6,427.

The legislation would prohibit the use of revenue from the Post-9/11 G.I. Bill and tuition benefits for service members to fund marketing expenditures. Currently, these military aid programs do not count as federal dollars under the 90/10 rule, which prohibits for-profits from drawing more than 90 percent of their revenue from federal aid such as Pell Grants and federal student loans.

Seven of the eight the top for-profit recipients of Post-9/11 GI Bill funds as of the 2012-2013 academic year are currently under investigation for deceptive and misleading recruiting or other possible violations of state and federal law. Investigations are being undertaken by state Attorneys General and by federal agencies including the Department of Justice, the Securities and Exchange Commission, the Federal Trade Commission, and the Consumer Financial Protection Bureau.